



DATE ISSUED: October 5, 2005 REPORT NO. CCDC-05-36

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Meeting of October 11, 2005

SUBJECT: Balboa Theatre (located at Fourth Avenue and E Street) Seismic
Retrofit Phase – Request to Increase Authorized Expenditure - Horton
Plaza Redevelopment Project

REFERENCE: None

STAFF CONTACT: Gary Bosse, Senior Project Manager - Construction
Eli Sanchez, Senior Project Manager - Development

SUMMARY

Issue – Should the Redevelopment Agency approve a \$675,000 increase in the authorized expenditure for the Seismic Retrofit of the Historic Balboa Theatre?

Staff Recommendation - That the Corporation recommend that the Redevelopment Agency approve a \$675,000 increase in the authorized expenditure for the Seismic Retrofit of the Historic Balboa Theatre for a total of \$2,107,339.

Centre City Development Corporation Recommendation – On September 21, 2005, the Corporation approved staff's recommendation to authorize expenditure for the Seismic Retrofit of the Historic Balboa Theatre for a total of \$2,107,339.

Other Recommendations - None.

Fiscal Impact – Funds for the project are available in the Fiscal Year 2006 Project Budget for the Balboa Theatre. The source of funds are derived from tax increment funds and proceeds of the 2003 tax allocation bond issue.

BACKGROUND

The rehabilitation of the Historic Balboa Theatre (the "Theatre") advances the Visions and Goals of the Centre City Community Plan and the Objectives of the Horton Plaza Redevelopment Project by:

- Eliminating blight through the rehabilitation and upgrade of a significant historic structure;
- Strengthening the Arts District, thereby contributing to the growth of making downtown the dominant regional center for the arts, entertainment, dining and public festivals; and
- Providing a community facility to cater toward both downtown residents and visitors.

In addition, the Historic Preservation Focus Plan and the 2004-2009 Implementation Plans for Centre City and Horton Plaza specifically list the rehabilitation of the Theatre as a focus project.

DISCUSSION

On April 20, 2005 the Corporation authorized the expenditure of \$1,431,715 for the seismic retrofit phase of the Balboa Theatre rehabilitation. This was followed by Redevelopment Agency approval of the expenditures on May 10, 2005. Bids for this project were opened on August 5, 2005. A total of four bids, ranging from \$1,800,000 to \$2,192,799 were received. All bids were above the authorized budget amount. The low bid of \$1,800,000 submitted by Gordon-Prill, Inc. was allowed to be withdrawn per Public Contract Code Section(s) 5100 - 5110, requesting relief of a clerical error.

Staff has reviewed the remaining three bids. They were as follows:

Riha Construction Company	\$2,056,000
PCL Construction Services, Inc.	\$2,117,000
The Augustine Company	\$2,192,799

While the bids exceeded the previously authorized engineer's estimate, the small but complex project was very fortunate to receive four bids in a very busy construction marketplace. Further, the fact that the bids were so tightly grouped (only a \$136,799 variance) indicates that the construction documents were clear and conveyed the same scope of work to all bidders.

What may have contributed to the bids exceeding the estimate?

It is the project team's opinion that there are three primary reasons the bids exceeded the engineer's estimate. First, the construction industry is extremely busy. Contractors have more work available than they can physically bid (due to bonding limits and/or workforce limitations). This is resulting in higher than usual percentage mark ups on general conditions and overhead and profit. Second, the perceived (and real) complexity of the

Balboa seismic retrofit. Material quantities are relatively small, the work is located in spaces that are sometimes confined and sometimes very high, and productivity rates will be low due to the many unique construction details. This leaves very little room for error in the contractor's means and methods, therefore increasing the risk with very little fee to offset the potential for productivity losses. The project team underestimated the impact this would have on the bids. And finally, a detailed review of the engineer's estimate produced by the project team, upon which the previous authorization was based, revealed some items of work that were underestimated.

Should the seismic retrofit phase be re-bid?

Historically, the re-bidding of projects that exceed the engineer's estimate rarely results in a decrease in the valuation of the work. This would especially be expected in this case where there was a moderate level of competition (given the construction industry marketplace) and small variance on the bids received. For this reason, staff recommends awarding to the lowest responsive and responsible bidder, Riha Construction Company, for a total contract amount of \$2,056,000. The additional authorization of \$675,000 requested does include a minor contingency (2.5%) for unforeseen conditions.

EQUAL OPPORTUNITY

The project utilized the City's SCOPe requirements. The purpose of SCOPe is to maximize opportunities for all qualified and available firms. The program requires mandatory subcontractor and outreach utilization requirements for the prime contractor. The mandatory subcontracting percentage (M.S.O.P.) for this project was 14%. The City of San Diego Equal Opportunity Contracting Program (EOCP) has determined that Riha Construction Company was successful in achieving the minimum subcontractor participation level of 14%; as they achieved 48.7% participation. In addition, EOCP has determined that Riha Construction Company has been successful in submitting Outreach Efforts Documentation sufficient to verify that they made subcontracting opportunities available to a broad base of qualified subcontractors, negotiated in good faith with interested subcontractors, and did not reject any bid for unlawful discriminatory reasons.

SUMMARY/CONCLUSION

The restoration of the Historic Balboa Theatre will play a vital role in fostering community participation in the arts and economic growth. The Balboa Theatre will become a multi-purpose performing arts center in the heart of downtown San Diego. This community treasure will become an exciting venue for cultural, commercial, community and convention activities. Corporation staff recommends that the seismic retrofit be authorized to proceed.

The increase in cost related to the seismic retrofit phase will be absorbed by what is currently a restricted reserve line item in the budget. In addition, the project team will

review the program and scope of work in the renovation and restoration phase, to determine if any programmatic reductions or cost savings measures can be implemented to offset the increase in the seismic retrofit budget. At the completion of the seismic retrofit phase, the Corporation will have a fully abated and structurally sound building, ready for the final renovation and restoration to begin.

Respectfully submitted,

Gary Bosse,
Senior Project Manager-Construction

Approved: Peter J. Hall,
President

Eli Sanchez,
Senior Project Manager-Development